

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 NSA-01 AID-05 CIAE-00 COME-00 EB-06

FRB-01 INR-07 RSC-01 TRSE-00 XMB-04 OPIC-06 SP-02

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NSC-05 SS-15 STR-04 CEA-01 AGR-10 TAR-01 /105 W

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DEPARTMENT PASS TREASURY & COMMERCE

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TAGS: EGEN, EFIN, AR

SUBJ: ECON MINISTER GIVES PRESS CONFERENCE

ON NOV 11 ECONOMICS MINISTER DR. ALFREDO GOMEZ MORALES
GRANTED INTERVIEW TO MEMBERS OF GERMAN PRESS WHICH VISITING
COUNTRY. DURING INTERVIEW, GOMEZ MORALES GAVE MOST COMPLETE
ACCOUNT TO DATE OF HIS ECONOMIC VIEWS WHICH SUMMARIZED BELOW:

1) FOREIGN INVESTMENT- ARGENTINA HAS NO ANIMOSITY TOWARD FOREIGN
INVESTMENT AND PRACTICES NO DISCRIMINATION. ARGENTINA SEEKS A
BETTER "MODUS VIVENDI" WITH MULTINATIONALS, WHOSE OPERATIONS MAY
ADVERSELY AFFECT HOST COUNTRY EVEN THOUGH NO HOSTILE INTENTIONS
INVOLVED. CURRENTLY, ARGENTINA WOULD LIKE TO FIND NEW WAYS TO
STIMULATE ASSOCIATION OF FOREIGN PRIVATE CAPITAL, EITHER
NATIONAL OR PRIVATE.

2) PRICES AND INFLATION- NO INFLATION IS GOOD, BUT CURRENT
SITUATION MUCH MORE FAVORABLE THAN, FOR EXAMPLE, 1952 WHEN
COUNTRY FACED SEVERE EXTERNAL CRISIS. CURRENT PRICE CONTROL
SYSTEM MUST BE GIVEN GREATER FLEXIBILITY TO END BLACK MARKET
AND OTHER ECONOMIC DISTORTIONS.

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3) INDUSTRIAL CAPACITY AND INVESTMENT - ARGENTINA RAPIDLY APPROACHING MAXIMUM USE OF INSTALLED CAPACITY. THUS, EXPANDING INVESTMENT AND RE-INVESTMENT IS URGENT.

4) AUSTERITY - NON-PRODUCTIVE PUBLIC EXPEDITURES MUST BE REDUCED AND A FREEZE PLACED ON NEW PUBLIC SECTOR HIRING. TOWARD THIS END, SUPPORT AND COOPERATION OF ARMED FORCES WILL BE REQUESTED.

5) COMMERCIAL BALANCE - MANY TRADE RESTRICTIONS HAVE BEEN LIBERALIZED, FOR EXAMPLE, PRIOR IMPORT DEPOSITS HAVE BEEN ELIMINATED FOR SOME ESSENTIAL PRODUCTS. CURRENTLY, THERE ARE NO IMPORT DIFFICULTIES DUE TO DOMESTIC REGULATIONS. IMPORTS THIS YEAR MAY REACH \$3,000 MILLION, WHILE EXPORTS WILL TOTAL ABOUT \$3,800 MILLION-LEAVING A HEALTHY TRADE SURPLUS.

6) PARALLEL MARKET - PARALLEL MARKET OF NO GREAT CONCERN BECAUSE WHEREVER EXCHANGE CONTROLS EXIST, PARALLEL MARKET GOING TO EXIST. HOWEVER, CURRENT RATE IS EXCESSIVELY HIGH.

7) EC MEASURES - EC MEASURES RESTRICTING MEAT IMPORTS ARE UNILATERAL AND A LITTLE BRUTAL. ARGENTINA HOPES EC WILL RECONSIDER ITS ACTION, BECAUSE ARGENTINA MIGHT EVENTUALLY BE OBLIGED TO RESTRICT IMPORTS IF EXPORT MARKETS NOT AVAILABLE. SOME MEAT EXPORTING COUNTRIES WITH MORE PRESSING BALANCE OF PAYMENTS PROBLEMS MAY EVEN BE OBLIGED TO LIMIT FINANCIAL PAYMENTS.

8) EXTERNAL DEBT - ARGENTINA SHOULD HAVE NO TROUBLE MEETING INTERNATIONAL COMMITMENTS, ALTHOUGH DEBT SERVICE WILL BE PARTICULARLY HEAVY DURING NEXT THREE YEARS.

9) AUTARKY - ECONOMIC AUTARKY IS OBSOLETE CONCEPT. ARGENTINA HAS NO PREJUDICE AGAINST JOINING OTHER ASSOCIATIONS, PROVIDING EQUITABLE TERMS CAN BE AGREED.

10) EXPORT CARTELS - ARGENTINA DOES NOT OPERATE CARTELS AND WOULD NOT WISH TO. IN INTERNATIONAL SPHERE, ARGENTINA HAS ALWAYS FOUGHT FOR JUST TERMS OF TRADE AND JUST COMMERCIAL RELATIONS.
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